



Virginia Tobacco Commission Southside Capital Access Program

Purpose:

The Virginia Tobacco Commission Southside Capital Access Program (TCAP) provides access to capital for new and existing Virginia businesses located in the Southside Tobacco Region by encouraging banks to make loans that they would otherwise not make due to a borrower's risk profile. The program is administered by the Virginia Small Business Financing Authority (VSBFA) for the Virginia Tobacco Indemnification and Community Revitalization Commission (VTICRC). *TCAP* utilizes an insurance concept on a portfolio of loans. The Program establishes a loan loss reserve at each participating bank which is funded by enrollment fees paid by the Bank/Borrower and matching funds paid by the VSBFA from TCAP funds.

Accessing the Program:

To apply for financing through *TCAP*, a new or existing business that resides and operates within the designated localities of the Southside tobacco region makes application to a bank participating in the Virginia Tobacco Commission Southside Capital Access Program. If the participating bank determines that the proposed financing request does not meet the bank's normal underwriting guidelines, the bank will then determine whether the proposed loan transaction would be acceptable if the loan were enrolled in *TCAP*. Neither VTICRC nor the VSBFA participates in the bank's underwriting decision or the bank's decision to utilize the Virginia Tobacco Commission *Southside Capital Access Program* to provide financing.

Once the bank has approved the financing for enrollment in *TCAP*, the bank determines the fee amount to be paid by the borrower based on the bank's perceived level of risk. Enrollment fees paid by the borrower typically range between 3% and 7% of the loan amount and are non-refundable. VTICRC, through the VSBFA, contributes a matching fee that will be no less than that of the borrower's fee. Both the borrower's and VTICRC/VSBFA's fees are contributed to a loan loss reserve fund established for the benefit of the bank. In the event of a default on an enrolled loan, the bank can utilize funds in this reserve to offset its loss.

Subject to funding restraints, VSBFA will provide a Match Advance of \$50,000 to "seed" the Reserve Fund. This Match Advance of \$50,000 is an advance on VSBFA's enrollment fees for future enrolled loans. Once the fees for the enrolled loans equals the Match Advance, then VSBFA will begin to fund the enrollment fees for additional loans with new matching funds linked directly on a loan by loan basis. Additionally, for the first \$1,000,000 of enrolled loans, VSBFA shall provide for a double match of the enrollment fees.

Program Features:

- **Eligible Loan Uses:** Funds are available for working capital, expansion, equipment, agri-business and most other business needs. Loans to refinance a bank's existing loans to a borrower or loans for non-owner occupied real estate or residential housing are not eligible for enrollment.
- **Eligible Loan Types:** Term loans and lines of credit are eligible.
- **Eligible Borrowers:** Any corporation, partnership, limited liability corporation, limited liability partnership, joint venture, sole proprietorship, cooperative or other entity, whether for profit or non-profit, which is authorized to conduct business in the Commonwealth of Virginia and is operating, or plans to operate, within the designated Southside Tobacco Region.
- **Maximum Enrolled Loan Size:** The maximum outstanding loan amount(s) which may be enrolled for any single borrower, or any common enterprise in which the borrower has an ownership interest, is \$250,000.
- **Enrollment Fee:** Enrollment fees paid by the borrower are typically between 3% and 7% of the loan amount, may be financed as a part of the loan, and are non-refundable.